



American State Bancshares, Inc.

October 16, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for providing us an opportunity to comment on the proposed Basel III capital guidelines which are to be phased in beginning January 1, 2013. My entire career has been in a capacity as a community banker, holding positions as stockholder, director and president & CEO of a number of Kansas banks. Our holding company currently has three State Member Bank charters with total assets of approximately \$650 million. Our banks are clean, well managed, profitable and well capitalized. With that said, we also are a de novo company that is just over 11 years old. We understand the need to gain efficiencies to enhance earnings to build and preserve capital to support further growth strategies. Our corporation has not paid one penny of dividends since inception.

Basel III provisions shall adversely impact our ability to grow by requiring our banks to retain excess capital to allow for the possible decrease in Tier I Capital through the mark to market of Available for Sale Securities. Every community bank has a model to stress test for interest rate movements and the impact to Market Value Equity (MVE) created during periods of increasing interest rates. A 300 basis point increase currently would result in wiping out 50% of our capital. This is a consistent number for all of our banks. It seems unreasonable that the Basel III provisions would only apply to marking the securities, not marking the entire balance sheet. All of our banks have significantly increased MVE based on marking both sides of the balance sheet. Where is the reasonableness of this provision?

There are many other reasons why we cannot support Basel III. The Buffer is also another provision that we just cannot accept. The onerous calculations of capital outlined are also an unacceptable waste of human resource and capital. There may be a need for Basel III, but it is not good for community banks, those banks that make loans to create jobs, further economic growth of our communities and serve those who reside in those communities.

Thank you again for allowing us to present our views for your consideration.

Sincerely,

Donald R. Lackamp
President & CEO

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